

MANNING MUNICIPAL LIGHT PLANT
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

MANNING MUNICIPAL LIGHT PLANT

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MANNING MUNICIPAL LIGHT PLANT

OFFICIALS

DECEMBER 31, 2008

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Duane Monson	Trustee	December 31, 2008
Jerry Rasmussen	Trustee	December 31, 2010
John Detlefsen	Trustee	December 31, 2012
Lynn Stein	Trustee	December 31, 2011
Rick Lohrmann	Trustee	December 31, 2013
Kent Hilsabeck	Manager	

HEITHOFF, HANSEN, MUHLBAUER & CO., P.C.

Certified Public Accountants

Morrie M. Heithoff, CPA
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Jeffrey L. Muhlbauer, CPA

305 Main Street
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INDEPENDENT AUDITORS' REPORT

July 15, 2009

To the Board of Trustees
Manning Municipal Light Plant
Manning, Iowa 51455

We have audited the accompanying basic financial statements, listed as exhibits in the table of contents of this report, of the Manning Municipal Light Plant (a municipal utility) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Manning Municipal Light Plant's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the financial statements of Manning Municipal Light Plant are intended to present the financial position and results of operations and cash flows of only that portion of the financial reporting entity of the City of Manning, Iowa, that is attributable to the transactions of the Manning Municipal Light Plant.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Manning Municipal Light Plant as of December 31, 2008, and 2007, and the changes in financial position and cash flows for the years ended December 31, 2008, and 2007, in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated July 15, 2009, on our consideration of the Light Plant's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 6 through 10 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Manning Municipal Light Plant's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended December 31, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Information in Schedule 4 has not been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, accordingly, we express no opinion on it.

Heithoff, Hansen, Muhlbauer & Co., P.C.

HEITHOFF, HANSEN, MUHLBAUER & CO., P.C.
Certified Public Accountants

MANNING MUNICIPAL LIGHT PLANT

719 Third Street, Manning, Iowa 51455
#712-655-3214

MANAGEMENT'S DISCUSSION AND ANALYSIS

Manning Municipal Light Plant provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended December 31, 2008. We encourage readers to consider this information in conjunction with the Utility's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- Operating revenues of the Utility's activities decreased 1.50%, or \$25,771, from December 31, 2007 to December 31, 2008.
- Operating expenses increased 10.57%, or \$174,424 from December 31, 2007 to December 31, 2008.
- The Utility's net assets of business type activities decreased 3.92%, or \$237,224 from December 31, 2007 to December 31, 2008.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utility's financial activities.

Financial Statements consist of a Balance Sheet and a Statement of Revenues, Expenses, and Changes in Fund Net Assets and a Statement of Cash Flows. These provide information about the activities of Manning Municipal Light Plant as a whole and present an overall view of the Utility's finances.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Supplementary Information provides a listing of the Utility's investments, capital assets, comparative financial data with a prior year, and statistical data.

REPORTING THE UTILITY'S FINANCIAL ACTIVITIES

Basic Financial Statements

One of the most important questions asked about the Utility's finances is, "Is the Utility as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Fund Net Assets report information, which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Balance Sheet presents all of the Utility's assets and liabilities with the difference between the two reported as "net assets". Over time, increases or decreases in the Utility's net assets may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the Utility's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Fund Net Assets report the following activity:

- Business type activity for the Electric Utility. This activity is financed primarily by user charges.

Fund Financial Statements

The Utility has one fund:

The Proprietary fund accounts for the Utility's Enterprise Fund. This fund reports services for which the Utility charges customers for the service it provides. Proprietary funds report all activities in the Balance Sheet and the Statement of Revenues, Expenses, and Changes in Fund Net Assets. Since there is only one fund, this is obviously the only major fund as well. The Utility is responsible for ensuring the assets reported in this fund are used only for their intended purposes and by those to whom the assets belong.

The required financial statements for proprietary funds include a balance sheet, a statement of revenues, expenses, and changes in fund net assets and a statement of cash flows.

BASIC FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for this business type activity.

Net Assets		
December 31, 2008 and 2007		
<u>Business Type Activity – Enterprise Fund</u>		
	<u>Year Ended</u>	
	<u>12-31-08</u>	<u>12-31-07</u>
Current and other assets	\$ 3,788,367	\$ 3,804,173
Capital assets	<u>3,717,009</u>	<u>4,002,042</u>
Total Assets	<u>\$ 7,505,376</u>	<u>\$ 7,806,215</u>
Current liabilities	\$ 289,178	\$ 247,793
Non-current liabilities	<u>1,405,000</u>	<u>1,510,000</u>
Total Liabilities	<u>\$ 1,694,178</u>	<u>\$ 1,757,793</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 2,207,009	\$ 2,392,042
Restricted	193,120	192,820
Unrestricted	<u>3,411,069</u>	<u>3,463,560</u>
Total net assets	<u>\$ 5,811,198</u>	<u>\$ 6,048,422</u>

Net assets of business type activities decreased from 2007 by \$237,224, or 3.92%. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, decreased by \$52,491 at the end of this year, a decrease of 1.52%. This is the largest portion of the net assets. The second largest portion of the Utility's net assets is the invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Changes in Net Assets

Business Type Activity Enterprise Fund – Electric Fund

	<u>Year Ended</u>	
	<u>12-31-08</u>	<u>12-31-07</u>
Revenues:		
Charges for services	\$1,687,216	\$1,712,987
Miscellaneous income	6,109	-0-
Interest income	115,548	130,760
Rental income	-0-	170,849
Member charge refunds	55,161	43,499
WIMECA dividends	82,099	66,047
Total revenues	<u>\$1,946,133</u>	<u>\$2,124,142</u>
Operating expenses:		
Production	\$1,316,911	\$1,173,814
Distribution	263,104	246,875
Accounting & Collection	56,666	35,638
Administrative and general	188,083	194,013
Total operating expenses	<u>\$1,824,764</u>	<u>\$1,650,340</u>
Other expenses:		
Amortization	\$ 1,127	\$ 1,127
Communication infrastructure-Deprec.	139,473	139,473
Interest expense	86,759	91,578
Contributions	131,234	45,604
Total other expense	<u>\$ 358,593</u>	<u>\$ 277,782</u>
Increase (Decrease) in net assets	\$ (237,224)	\$ 196,020
Net assets beginning of year	<u>6,048,422</u>	<u>5,852,402</u>
Net assets end of year	<u>\$5,811,198</u>	<u>\$6,048,422</u>

CAPITAL ASSETS

The Utility's capital assets include land, buildings and improvements, equipment, electric lines, and other infrastructure. Capital assets for the business type activity totaled \$3,717,009 (net of accumulated depreciation) at December 31, 2008. This is a net decrease of \$285,033 or 7.12% under last year.

Capital Assets at Year End

	<u>12-31-08</u>	<u>12-31-07</u>
Telecommunication – infrastructure	\$2,337,118	\$2,337,118
Production	1,209,607	1,209,607
Transmission	16,504	16,504
Distribution	4,208,149	4,212,506
General	<u>571,729</u>	<u>570,148</u>
Total	8,343,107	8,345,883
Less: Accumulated Depreciation	<u>4,626,098</u>	<u>4,343,841</u>
Net Capital Assets	<u>\$3,717,009</u>	<u>\$4,002,042</u>
Additions for 2008 include:		
Conductors, services, meters, and devices		\$ 56,571
Computer Server		<u>2,250</u>
		<u>\$ 58,821</u>

LONG-TERM DEBT

At December 31, 2008, the Utility had \$1,405,000 in total long-term debt outstanding for business type activities. During the year ended December 31, 2008, the Utility did not issue any new bonds and they paid off \$100,000 on bonds payable.

ECONOMIC FACTORS BEARING ON THE ELECTRIC UTILITY'S FUTURE

The Electric Utility conducted a rate study in 2008. Effective January 1, 2009, the electric rates will increase and are projected to generate an additional 10% in revenues during 2009. Purchased power has increased and the cost needs to be passed on to the consumers. Rates are based upon what the Utility has to pay for the price of energy. The Utility does have one major customer which represents over 42% of total sales.

CONTACTING THE ELECTRIC UTILITY'S FINANCIAL MANAGEMENT

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the Electric Utility's finances and operating activities. If you have any questions or require additional information please contact Kent Hilsabeck, Manager, 719 Third Street, Manning, Iowa 51455.

BASIC FINANCIAL STATEMENTS

MANNING MUNICIPAL LIGHT PLANT
BALANCE SHEETS
DECEMBER 31, 2008 AND 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Current Assets		
Unrestricted		
Cash	\$ 297,999	\$ 214,479
Accounts receivable - customers, net of allowance for doubtful accounts	189,463	174,369
Interest receivable	27,185	35,995
Inventory	101,650	108,299
Prepaid expenses	10,972	10,472
Note receivable – Current portion – Muni. Depts.	25,000	-0-
Note receivable – Current portion - Betterment	6,840	12,865
Investments	<u>1,770,127</u>	<u>2,087,995</u>
Total unrestricted current assets	2,429,236	2,644,474
Restricted		
Cash	3,800	3,500
Investments - Principal & Interest Reserve Fund	<u>189,320</u>	<u>189,320</u>
Total restricted current assets	<u>193,120</u>	<u>192,820</u>
Total current assets	2,622,356	2,837,294
Capital Assets		
Telecommunication – infrastructure	2,337,118	2,337,118
Production	1,209,607	1,209,607
Transmission	16,504	16,504
Distribution	4,208,149	4,212,506
General	<u>571,729</u>	<u>570,148</u>
	8,343,107	8,345,883
Less: Accumulated depreciation	<u>4,626,098</u>	<u>4,343,841</u>
Net capital assets	3,717,009	4,002,042
Other Assets		
Deferred patronage – WIMECA	661,124	579,025
Notes receivable, Municipal Departments, net of current	425,000	300,000
Note receivable, Manning Betterment Found., net of current	68,055	74,895
Underwriter's Discount fees (net of accum. amortz.)	<u>11,832</u>	<u>12,959</u>
	<u>1,166,011</u>	<u>966,879</u>
Total assets	<u>\$7,505,376</u>	<u>\$7,806,215</u>

See Accompanying Notes

MANNING MUNICIPAL LIGHT PLANT
BALANCE SHEETS
DECEMBER 31, 2008 AND 2007

LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u>
Current Liabilities		
Payable from unrestricted current liabilities		
Accounts payable – operating	\$ 139,799	\$ 106,896
Payroll taxes payable	4	3
Salaries, vacation, and sick leave payable	31,450	27,477
Sales tax payable	<u>2,281</u>	<u>2,652</u>
Total payables from unrestricted current liabilities	173,534	137,028
Payable from restricted current liabilities		
Current installments of bonds payable	105,000	100,000
Accrued interest payable	6,844	7,265
Customer deposits	<u>3,800</u>	<u>3,500</u>
Total payables from restricted current liabilities	<u>115,644</u>	<u>110,765</u>
Total current liabilities	289,178	247,793
Bonds Payable, net of current maturities	<u>1,405,000</u>	<u>1,510,000</u>
Total liabilities	1,694,178	1,757,793
Net Assets		
Invested in capital assets, net of related debt	2,207,009	2,392,042
Restricted for:		
Principal and interest reserve	189,320	189,320
Customer deposits	3,800	3,500
Unrestricted	<u>3,411,069</u>	<u>3,463,560</u>
Total net assets	<u>5,811,198</u>	<u>6,048,422</u>
Total liabilities and net assets	<u>\$7,505,376</u>	<u>\$7,806,215</u>

See Accompanying Notes

MANNING MUNICIPAL LIGHT PLANT
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Exhibit B

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Sale of electricity		
Residential	\$ 504,795	\$ 509,577
Commercial	199,149	201,317
Industrial	937,936	958,374
Municipal	<u>42,375</u>	<u>39,385</u>
Total sale of electricity	1,684,255	1,708,653
Other operating revenues		
Forfeited discounts	1,609	1,974
Merchandise sales, net of cost	998	1,344
Connection fees	354	642
Miscellaneous income	<u>-0-</u>	<u>374</u>
Total other operating revenues	<u>2,961</u>	<u>4,334</u>
Total operating revenues	1,687,216	1,712,987
Operating Expenses		
Production	1,316,911	1,173,814
Distribution	263,104	246,875
Accounting and collection	56,666	35,638
Administration and general	<u>188,083</u>	<u>194,013</u>
Total operating expenses	<u>1,824,764</u>	<u>1,650,340</u>
Net operating income	(137,548)	62,647
Non-operating revenues (expenses)		
Interest income	115,548	130,760
Rental income	-0-	170,849
Junk material sold	6,109	-0-
Amortization expense - bond fees	(1,127)	(1,127)
Member charge refunds	55,161	43,499
WIMECA dividends	82,099	66,047
Interest expense	(86,759)	(91,578)
Depreciation expense-Communication Infrastructure	(139,473)	(139,473)
Contribution – Payment in Lieu of Taxes	(11,502)	(27,863)
Contribution - Main St. Project	(2,000)	-0-
Contributions - Various projects	(2,220)	(2,035)
Contributions - Economic Development	(15,000)	(15,000)
Contributions – City of Manning – Housing Rehab	(512)	(706)
Contributions - City of Manning – Street Improv.	<u>(100,000)</u>	<u>-0-</u>
Total non-operating revenues (expenses)	<u>(99,676)</u>	<u>133,373</u>
Change in Net Assets	(237,224)	196,020
Total Net Assets, Beginning	<u>6,048,422</u>	<u>5,852,402</u>
Total Net Assets, Ending	<u>\$5,811,198</u>	<u>\$6,048,422</u>

See Accompanying Notes

MANNING MUNICIPAL LIGHT PLANT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Cash received from customers and users	\$1,669,161	\$1,710,303
Cash received from other revenues	2,961	4,334
Cash paid to suppliers	(1,250,211)	(1,119,661)
Cash paid for personal services	(167,895)	(162,211)
Cash paid to employees	<u>(159,622)</u>	<u>(134,943)</u>
Net cash provided by operating activities	94,394	297,822
Cash flows from noncapital financing activities:		
Misc. contributions	(2,732)	(2,741)
Misc. income	6,109	-0-
Change in customer deposits	<u>300</u>	<u>(500)</u>
Net cash provided (used) by noncapital financing activities	3,677	(3,241)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(58,821)	(161,044)
Interest paid on bonds	(87,180)	(91,978)
Principal paid on bonds	<u>(100,000)</u>	<u>(95,000)</u>
Net cash provided (used) by capital and related financing activities	(246,001)	(348,022)
Cash flows from investing activities:		
Principal advanced on notes	(175,000)	-0-
Principal received on notes	37,865	12,240
Patronage dividends – WIMECA	-0-	-0-
Member charge refunds	55,161	101,685
Interest on investments	124,358	128,800
Contributions – Economic Dev.	(128,502)	(42,863)
Rental income	<u>-0-</u>	<u>170,849</u>
Net cash provided by investing activities	<u>(86,118)</u>	<u>370,711</u>
Net increase (decrease) in cash and cash equivalents	(234,048)	317,270
Cash and cash equivalents beginning of year	<u>2,495,294</u>	<u>2,178,024</u>
Cash and cash equivalents end of year	<u>\$2,261,246</u>	<u>\$2,495,294</u>

MANNING MUNICIPAL LIGHT PLANT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (137,548)	\$ 62,647
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	204,381	220,497
(Increase) decrease in customer accounts receivable	(15,094)	(5,351)
(Increase) decrease in A/R – sales tax	-0-	7,001
(Increase) decrease in inventories	6,649	7,040
(Increase) decrease in prepaid expenses	(500)	3
Increase (decrease) in accounts payable	32,903	4,324
Increase (decrease) in sales tax payable	(371)	(141)
Increase (decrease) in salaries payable	3,973	1,803
Increase (decrease) in payroll taxes payable	1	(1)
Net cash provided by operating activities	<u>\$ 94,394</u>	<u>\$ 297,822</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on the Balance Sheet:		
Current assets:		
Cash and pooled investments	\$2,068,126	\$2,302,474
Restricted assets:		
Cash and pooled investments:		
Principal & Interest Reserve	189,320	189,320
Customer deposits	3,800	3,500
Cash and cash equivalents end of year	<u>\$2,261,246</u>	<u>\$2,495,294</u>

See Accompanying Notes

NOTES TO FINANCIAL STATEMENTS

MANNING MUNICIPAL LIGHT PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Manning Municipal Light Plant is a component unit of the City of Manning, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The Light Plant is governed by a five member board of trustees appointed by the City Council. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Utility to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Utility. The Manning Municipal Light Plant has no component units which meet the Governmental Accounting Standards Board criteria.

The financial statements include only those funds of the Electric Utility and are not intended to present all funds of the City of Manning, Iowa.

Jointly Governed Organizations

The Utility participates in several jointly governed organizations that provide goods or services to the citizenry of the Utility but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. Utility officials are members of the following boards: the Manning Municipal Communication and Television System Utility, the Manning Betterment Foundation, the Western Iowa Municipal Electric Cooperative Association, and the Economic Development Corporation.

Nature of Business

The Manning Municipal Light Plant is a municipal utility. The Utility distributes electricity to the residents and businesses of Manning, an agricultural district area.

The Utility's revenues are dependent upon the economic status of its customers. Collection policies have been established.

MANNING MUNICIPAL LIGHT PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Measurement Focus and Basis of Accounting

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The proprietary fund of the Electric Utility applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Electric Utility are charges to customers for sales and services. Operating expenses for the Electric Utility include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Electric Utility's accounting records are maintained by the City on the cash basis. However, for financial reporting purposes, the accounting records have been adjusted to the accrual method which recognizes income when earned and expenses when incurred.

The Balance Sheet presents the Electric Utility's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are externally imposed or imposed by law through constitutional provisions or enabling legislation.

MANNING MUNICIPAL LIGHT PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd.)

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis. The budget of the Utility is submitted with that of the City of Manning following required public notice and hearing. The budgetary comparison and related disclosures are reported as part of the basic financial statements rather than as Required Supplementary Information.

Cash, Investments, and Cash Equivalents

Cash consists of checking accounts, cash on hand, and savings. Investments consist of certificates of deposits. For purposes of the Statement of Cash Flows, the Utility considers all deposits to be cash equivalents. Investments are stated at cost which approximates market.

Inventory

Materials and supplies are stated at the lower of average cost or market on a per item basis.

Accounts Receivable - Customer

Accounts receivable are presented at their net realizable values. Allowance for doubtful accounts is \$-0- for 2008 and \$68 for 2007.

The Utility's employees read the customer meters the 1st of every month. The customers receive their bills by the 10th of each month and they have until the end of the month to pay their bill. After that point, the customer would be mailed a past due notice and a penalty of 1.5% of their total bill would be added on. The customer has 12 days after the delinquent notice to pay their bill or make payment arrangements. After that point, the customer would be subject to disconnection of all or part of their services which may include water or electricity.

MANNING MUNICIPAL LIGHT PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Advertising

Advertising costs are expensed as incurred. Advertising expense, which includes the publication of legal notices, was \$1,095 and \$1,012 for the years ended December 31, 2008 and 2007, respectively.

Capital Assets

Capital assets include property, plant and equipment. Capital assets are stated at cost. Depreciation is computed using straight line methods applied to the estimated useful lives of the various assets. Depreciation is computed over the following useful lives:

Plant and Property	20 – 33 years
Office and Other Equipment	5 – 25 years
Transportation Equipment	3 – 10 years
Telecommunication Infrastructure	10 – 40 years

Capital assets activity for the year ended December 31, 2008 is summarized by the following:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year
Capital Assets	\$8,345,883	\$ 58,821	\$ 61,597	\$8,343,107
Less: Accum. Deprec.	4,343,841	343,854	61,597	4,626,098
Capital Assets, Net	<u>\$4,002,042</u>	<u>\$ (285,033)</u>	<u>\$ -0-</u>	<u>\$3,717,009</u>

Depreciation Charged \$ 343,854

Expenditures for maintenance, repairs and minor replacements are charged to operations. Expenditures for major repairs and betterments that materially extend the life of an asset are capitalized.

Customer Deposits

Meter deposits are collected from new customers before their electricity is turned on. Customers in good standing will get a full refund of their deposit after one year of service has passed.

MANNING MUNICIPAL LIGHT PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Underwriter's Discount - Bond Fees

Underwriter's discount bond fees are stated at their original cost less any accumulated amortization expense taken over the years.

The underwriter's discount, incurred in 1999 for the Electric Revenue Bonds, Series 1999, totaled \$22,538 and this is being amortized over the life of the bonds which is twenty years. Accumulated amortization as of the end of 2008 and 2007 was \$10,706 and \$9,579 respectively.

Operating Revenues

Revenues are based on billing rates which are applied to customers' consumption of electricity. The Light Department bills customers for one full month at a time, therefore there is no need to estimate unbilled revenue at the end of accounting periods.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. As of the date of the issuance of the accompanying financial statements, no material changes to the estimates used therein were anticipated by management in the near term.

NOTE B DEPOSITS AND INVESTMENTS

The Utility's deposits in banks at December 31, 2008, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utility is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

MANNING MUNICIPAL LIGHT PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE B DEPOSITS AND INVESTMENTS (cont'd.)

Governmental Accounting Standards Board Statement Number 3 requires investments to be categorized to give an indication of the level of risk assumed by the Utility at year end. The Utility had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

The Utility's cash and investments at December 31, 2008 are as follows:

	<u>Cash</u>	<u>Certificates of Deposit</u>
Unrestricted	\$ 297,999	\$1,770,127
Restricted	<u>3,800</u>	<u>189,320</u>
Total	<u>\$ 301,799</u>	<u>\$1,959,447</u>

NOTE C DEFERRED PATRONAGE DIVIDENDS

Western Iowa Municipal Electric Cooperative Association (WIMECA) allocates deferred patronage dividends to its members who are the municipal electric utilities of Manning, Anthon, Aurelia, Hinton, Mapleton and Onawa, Iowa. WIMECA purchases all of its power requirements from Northwest Iowa Power Cooperative under a long-term contract.

The deferred patronage dividends in WIMECA are declared allocations from which it is not practicable to estimate a fair value, and they are redeemable only at the discretion of the issuing cooperative. They are recorded at cost or face value assigned by WIMECA and are recorded as an asset in the year to which they apply.

Deferred Patronage – WIMECA, Beginning of Year	\$ 579,025
Less: Patronage Retirement – Paid out in Cash	-0-
Add: 2008 Dividends Declared – Deferred	<u>82,099</u>
Deferred Patronage – WIMECA, Dec. 31, 2008	<u>\$ 661,124</u>

MANNING MUNICIPAL LIGHT PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE D RESTRICTED ASSETS

The Board of Trustees established by resolution, various reserve account funds to accumulate surplus net revenues for the following purposes:

	<u>Cash</u>		<u>Investments</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Customer Deposits	\$ 3,800	\$ 3,500	\$ -0-	\$ -0-
Principal & Interest				
Reserve Fund	<u>-0-</u>	<u>-0-</u>	<u>189,320</u>	<u>189,320</u>
	<u>\$ 3,800</u>	<u>\$ 3,500</u>	<u>\$ 189,320</u>	<u>\$ 189,320</u>

NOTE E MAJOR CUSTOMER

A soybean processing plant purchased electricity totaling \$722,434 and \$717,486 in 2008 and 2007, respectively, which represented 42.89% and 42.04% of total sales respectively each year.

NOTE F POWER PURCHASE CONTRACT

The Utility has a long-term contract with Western Iowa Municipal Electric Cooperative Association (WIMECA) to purchase all electrical needs from WIMECA at established rates. In turn, WIMECA agrees to use its best efforts to provide an adequate, uninterrupted supply of electric power and energy.

NOTE G CONTRACT RATES OF DELIVERY FOR FIRM POWER

A contract was signed with Western Area Power Administration to lock in the Contract Rate of Delivery (CROD) for firm power on and after January 1, 2001 and continuing through December 31, 2005. The rate for firm power during the winter season is different than that for the summer season. On and after January 1, 2006, and continuing through December 31, 2010, a new CROD has been established.

MANNING MUNICIPAL LIGHT PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE H PENSION AND RETIREMENT BENEFITS

The Utility contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Up through June 30, 2008, plan members were required to contribute 3.90% of their annual salary and the Utility was required to contribute 6.05% of annual payroll. Effective July 1, 2008, the IPERS rates changed and plan members are required to contribute 4.10% of their annual covered salary and the Utility is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by State statute. The Utility's contribution to IPERS for the years ended December 31, 2008 and 2007 were \$10,487 and \$9,684 respectively, equal to the required contributions for each year.

NOTE I RELATED PARTY TRANSACTIONS

	<u>2008</u>	<u>2007</u>
Note receivable from the Manning Municipal Communication and Television System Utility in the amount of \$500,000 to be used for their share of the broadband communications system. The interest rate shall be adjusted annually on the anniversary date of the note to an amount which is equal to 1% more than a one year certificate of deposit at Templeton Savings Bank. The Communication's net revenues shall be pledged to pay off amounts due as allowable. No payoff schedule has been determined. In 2004, Manning Municipal Light Plant forgave \$200,000 of this note.	\$ 300,000	\$ 300,000

MANNING MUNICIPAL LIGHT PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE I	RELATED PARTY TRANSACTIONS (cont'd.)	<u>2008</u>	<u>2007</u>
	Interdepartmental loan receivable from the City of Manning in the amount of \$175,000. The money was to be used for street repairs. \$25,000 was received up front. The City shall make annual payments of \$25,000 in principal plus interest, the first of which shall become due on October 1, 2009, and the last of which shall become due October 1, 2014. Interest shall accrue for the first year at 3.75% and shall be 1% higher than a twelve month certificate of deposit at Templeton Savings Bank on October 1 st for each subsequent year.	<u>150,000</u>	<u>-0-</u>
		450,000	300,000
	Less: Current Portion	<u>25,000</u>	<u>-0-</u>
		<u>\$ 425,000</u>	<u>\$ 300,000</u>

The Utility leases an area of City Hall from the City of Manning through oral lease agreements. Rent expense charged to operations on this facility for 2008 and 2007, were \$6,000 for each year.

NOTE J NOTE RECEIVABLE - MANNING BETTERMENT FOUNDATION

Unsecured note receivable from Manning Betterment Foundation for the sum of \$74,895 with interest thereon any unpaid principal from July 28, 2008, payable semi-annually at the rate of 4% per annum. Interest only payments beginning on July 28, 2009 and continuing on the 28th day of each July and January up to and including July 28, 2011. Thereafter, principal and interest payments are required with the final payment due on July 28, 2016. Interest rate is subject to change throughout the loan period. The interest rate at July 28, 2008 is 4.00%.	<u>2008</u>	<u>2007</u>
	\$ 74,895	\$ 87,760
Less: Current Portion	<u>6,840</u>	<u>12,865</u>
	<u>\$ 68,055</u>	<u>\$ 74,895</u>

MANNING MUNICIPAL LIGHT PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE K BONDS PAYABLE

The Utility was issued Series 1999 Electric Revenue Bonds in strict compliance with the provisions of Chapter 384 of the Code of Iowa, 1999, in the amount of \$2,260,000. The bonds are not general obligations of the City, but are payable from and secured by a pledge of future net revenues of the Utility.

The proceeds of the sale of the Series 1999 Electric Revenue Bonds will be used by the Utility to defray the costs of distribution and load management infrastructure facilities through the construction of a hybrid fiber optic - coaxial cable communication system. Additional capacity within the system will be utilized by the Manning Municipal Communication and Television System Utility.

The remaining principal maturity requirements and interest rates thereon are as follows:

<u>Dec. 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Dec. 1</u>	<u>Amount</u>	<u>Rate</u>
2009	\$ 105,000	5.05 %	2015	\$ 140,000	5.60%
2010	110,000	5.15	2016	150,000	5.60
2011	115,000	5.25	2017	160,000	5.60
2012	120,000	5.30	2018	170,000	5.60
2013	130,000	5.35	2019	<u>175,000</u>	5.60
2014	135,000	5.40		1,510,000	

Less: Current Installment (105,000)
\$1,405,000

Principal payments are due annually on December 1 and interest payments are due semi-annually on June 1 and December 1 of each year.

In addition, the Utility is required to fund a Principal and Interest Reserve Fund equal to the maximum annual principal and interest requirements of the Bonds in the amount of \$189,320. The Utility is maintaining this required Reserve Fund by setting aside the allotted amount into a separate certificate of deposit.

NOTE L LOAN GUARANTEE

In 1998, the Manning Municipal Light Plant guaranteed to Western Iowa Municipal Electric Cooperative Association (WIMECA) and to Northwest Iowa Power Cooperative (NIPCO) the repayment of a \$100,000 loan taken out of NIPCO's Revolving Loan Fund by the Manning Betterment Foundation. If the Manning Betterment Foundation defaults on this loan, then Manning Municipal Light Plant will be held responsible. Manning Betterment Foundation is current with their loan payments to NIPCO.

MANNING MUNICIPAL LIGHT PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE M PLEDGED ASSETS

The Manning Municipal Light Plant agreed to pledge \$4,000 per year for three years to the Main Street Iowa Program in Manning, Iowa. The Utility paid \$2,000 on this project in 2008, and therefore still owes another \$10,000. The City of Manning was notified in May 2009 that they were chosen for the Main Street Iowa Grant.

NOTE N COMPENSATED ABSENCES

Light Plant employees accumulate vacation hours for use each year between anniversary dates. In the event that available vacation is not used by the end of the benefit year, employees can accumulate up to 10 days of vacation that can transfer over to the following year. At no time can an employee have more than 10 days of vacation time allowed to be carried over upon their anniversary date. Upon termination of employment, employees will be paid for unused vacation time that has been earned through the last day of work at their current rate of pay. The accrued vacation payable at December 31, 2008 is \$4,324 and at December 31, 2007 it was \$3,472.

Sick leave may be accumulated for subsequent use or for payment upon termination or retirement. The accumulated liability for accrued sick leave totaled \$25,194 and \$24,005 as of December 31, 2008 and 2007 respectively. Unused sick leave benefits will be paid to employees upon termination of employment at the rate in which they were received and only after 24 days have been accumulated. Eligible employees accrue sick leave benefits at the rate of 6 days per year or 4 hours per month. Therefore an employee would have to work at the Utility for 4 years before they would be eligible to be paid for sick leave upon termination.

NOTE O RISK MANAGEMENT

Manning Municipal Light Plant is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

MANNING MUNICIPAL LIGHT PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE P JOINT USE AGREEMENT

On July 25, 2001, the Manning Municipal Light Plant and the Manning Municipal Communications and Television System Utility entered into a joint use agreement in regards to a communications distribution system. The communications distribution system is and shall remain the sole property of the Electric Utility. However, the Communications Utility has been granted the right to use the distribution system, the headend building, and the Municipal building for its functions for a term of twenty-five years. The Communication Utility is required to pay \$170,849 every year for twenty-five years with the first payment required on June 30, 2002. MMCTSU delayed the \$170,849 payment in 2008, but will continue it again in 2009. The 2008 delayed payment will be added onto the end of the payment schedule.

NOTE Q COMPARISON OF DISBURSEMENTS WITH BUDGET

The Manning Municipal Light Plant prepares their budget annually on an accrual basis of accounting. The disbursements may not legally exceed budgeted appropriations at the functional level. Actual disbursements for the year ended December 31, 2008 did not exceed the final statutory budget.

<u>Disbursements</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
Business – Type activity	<u>\$2,400,000</u>	<u>\$2,183,357</u>	<u>\$ 216,643</u>

NOTE R SUBSEQUENT EVENTS

The Manning Municipal Light Plant implemented a new electric rate schedule effective January 1, 2009, which is projected to increase revenues by 10%. Also effective January 1, 2009, the Light Plant will charge the City of Manning for street light usage. This is projected to generate an additional \$24,000 in revenue. However, the Light Plant will donate the street light proceeds back to the City of Manning in the form of payment in lieu of taxes.

In May 2009, there was an amendment made to the Electric Power Contract between Western Iowa Municipal Electric Cooperative Association and its members. The term of this agreement was extended for an additional three years until January 1, 2013, provided however, beginning on January 1, 2011, this agreement will automatically be extended each year for an additional one year, unless one of the parties delivers a notice of intention to terminate before the end of the previous year.

SUPPLEMENTAL INFORMATION

**MANNING MUNICIPAL LIGHT PLANT
SUMMARY OF UTILITY PLANT AND ACCUMULATED DEPRECIATION**

	Property, Plant and Equipment			
	January 1, 2008	Additions	Retirements	December 31, 2008
PRODUCTION				
Land	\$ 8,500	\$ -0-	\$ -0-	\$ 8,500
Structures and improvements	150,469	-0-	-0-	150,469
Fuel holders	2,500	-0-	-0-	2,500
Prime movers and generators	200,800	-0-	-0-	200,800
Accessory electric equipment	847,338	-0-	-0-	847,338
	<u>1,209,607</u>	<u>-0-</u>	<u>-0-</u>	<u>1,209,607</u>
TRANSMISSION				
Poles and fixtures	12,204	-0-	-0-	12,204
Overhead conductors and devices	4,300	-0-	-0-	4,300
	<u>16,504</u>	<u>-0-</u>	<u>-0-</u>	<u>16,504</u>
DISTRIBUTION				
Poles and fixtures	30,681	-0-	-0-	30,681
Overhead conductors and devices	23,530	-0-	17,773	5,757
Underground conductors and devices	2,685,285	54,091	-0-	2,739,376
Line transformers	656,673	-0-	-0-	656,673
Services	254,290	-0-	-0-	254,290
Meters	84,378	2,480	43,155	43,703
Leased property on customer premises	820	-0-	-0-	820
Street lighting systems	340,849	-0-	-0-	340,849
Load management underground conductors and devices	136,000	-0-	-0-	136,000
	<u>4,212,506</u>	<u>56,571</u>	<u>60,928</u>	<u>4,208,149</u>
GENERAL				
Structures - garage	40,435	-0-	-0-	40,435
Office furniture and equipment	92,752	2,250	-0-	95,002
Transportation equipment	232,586	-0-	669	231,917
Communication equipment	78,390	-0-	-0-	78,390
Miscellaneous equipment	125,985	-0-	-0-	125,985
	<u>570,148</u>	<u>2,250</u>	<u>669</u>	<u>571,729</u>
TELECOMMUNICATIONS				
Infrastructure	<u>2,337,118</u>	<u>-0-</u>	<u>-0-</u>	<u>2,337,118</u>
Totals	<u>\$8,345,883</u>	<u>\$ 58,821</u>	<u>\$ 61,597</u>	<u>\$8,343,107</u>

SCHEDULE 1

Accumulated Depreciation			
January 1, 2008	Provision	Retirements	December 31, 2008
\$ -0-	\$ -0-	\$ -0-	\$ -0-
72,825	4,718	-0-	77,543
2,500	-0-	-0-	2,500
170,800	-0-	-0-	170,800
762,933	17,962	-0-	780,895
<u>1,009,058</u>	<u>22,680</u>	<u>-0-</u>	<u>1,031,738</u>
4,161	437	-0-	4,598
<u>4,300</u>	<u>-0-</u>	<u>-0-</u>	<u>4,300</u>
<u>8,461</u>	<u>437</u>	<u>-0-</u>	<u>8,898</u>
28,321	185	-0-	28,506
20,583	288	17,773	3,098
891,273	109,523	-0-	1,000,796
361,355	19,220	-0-	380,575
205,776	3,122	-0-	208,898
54,249	2,123	43,155	13,217
820	-0-	-0-	820
224,938	10,503	-0-	235,441
<u>136,002</u>	<u>-0-</u>	<u>-0-</u>	<u>136,002</u>
<u>1,923,317</u>	<u>144,964</u>	<u>60,928</u>	<u>2,007,353</u>
35,317	577	-0-	35,894
65,772	2,676	-0-	68,448
207,158	23,657	669	230,146
77,686	198	-0-	77,884
<u>80,960</u>	<u>9,192</u>	<u>-0-</u>	<u>90,152</u>
<u>466,893</u>	<u>36,300</u>	<u>669</u>	<u>502,524</u>
<u>936,112</u>	<u>139,473</u>	<u>-0-</u>	<u>1,075,585</u>
<u>\$4,343,841</u>	<u>\$ 343,854</u>	<u>\$ 61,597</u>	<u>\$4,626,098</u>

MANNING MUNICIPAL LIGHT PLANT
INVESTMENTS AND INTEREST INCOME

	Balance January 1, <u>2008</u>	<u>Purchases</u>	<u>Redeemed</u>	Balance December 31, <u>2008</u>	<u>Interest Income</u>
Current Assets					
Certificates of deposit	<u>\$2,277,315</u>	<u>1,870,547</u>	<u>(2,188,415)</u>	<u>\$1,959,447</u>	\$ 91,923
Other Interest Income					
City of Manning loan					1,110
General checking account					4,121
Savings accounts					139
MMCTSU utility loan					14,597
Manning Betterment Foundation loan					<u>3,658</u>
Total interest income					<u>\$ 115,548</u>

MANNING MUNICIPAL LIGHT PLANT
OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
PRODUCTION			
Salaries	\$ 17,320	\$ 11,962	\$ 5,358
Purchased power	1,268,598	1,129,993	138,605
Other expenses	1,991	172	1,819
Provision for depreciation	22,679	26,384	(3,705)
Plant utilities	<u>6,323</u>	<u>5,303</u>	<u>1,020</u>
	1,316,911	1,173,814	143,097
DISTRIBUTION			
Salaries	80,019	62,664	17,355
Maintenance salaries for MMCTSU	1,405	1,566	(161)
Maintenance materials, labor and overhead	11,908	19,188	(7,280)
Substation coord. study	7,500	-0-	7,500
Street light maintenance	8,618	3,029	5,589
Truck expense	8,252	6,349	1,903
Provision for depreciation	<u>145,402</u>	<u>154,079</u>	<u>(8,677)</u>
	263,104	246,875	16,229
ACCOUNTING AND COLLECTION			
Office salaries	13,512	12,216	1,296
Meter reading salaries	4,692	2,934	1,758
Reimb. Other Dept. for wages	-0-	2,640	(2,640)
Office supplies/billing expense	1,858	2,816	(958)
Office maintenance	1,045	1,170	(125)
Bldg./shop maintenance	1,214	628	586
Postage	3,177	1,083	2,094
Rent	6,000	6,000	-0-
Telephone	4,249	3,903	346
Bad debts expense	-0-	68	(68)
Computer maintenance/software	8,769	2,180	6,589
Rate study	<u>12,150</u>	<u>-0-</u>	<u>12,150</u>
	56,666	35,638	21,028
ADMINISTRATION AND GENERAL			
Salaries	46,647	45,404	1,243
Payroll taxes	17,335	21,551	(4,216)
Employee insurance	34,006	32,168	1,838
Property and liability insurance	26,420	27,589	(1,169)
Audit & accounting services	6,690	6,645	45

MANNING MUNICIPAL LIGHT PLANT
OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
ADMINISTRATIVE AND GENERAL			
Legal and professional services	\$ 1,972	\$ 1,050	\$ 922
Seminars and meetings	5,105	5,134	(29)
Dues	6,472	7,507	(1,035)
Uniforms	237	561	(324)
Trustee fees	2,995	2,945	50
Energy efficiency program	1,901	-0-	1,901
Legal notices and advertising	1,095	1,012	83
Other expenses	908	2,413	(1,505)
Provisions for depreciation	<u>36,300</u>	<u>40,034</u>	<u>(3,734)</u>
	<u>188,083</u>	<u>194,013</u>	<u>(5,930)</u>
 Total Operating Expenses	 <u>\$1,824,764</u>	 <u>\$1,650,340</u>	 <u>\$ 174,424</u>

MANNING MUNICIPAL LIGHT PLANT
COMPARATIVE STATISTICAL DATA
(UNAUDITED)

	Year Ended December 31,			
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
SOURCES OF KILOWATT HOURS				
KWHRS purchased	37,302,899	37,426,533	36,524,518	37,087,229
KWHRS generated	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,060</u>
Totals	<u>37,302,899</u>	<u>37,426,533</u>	<u>36,524,518</u>	<u>37,088,289</u>
ANALYSIS OF KILOWATT HOURS				
KWHRS sold				
Residential	8,238,834	7,804,766	7,412,940	7,247,860
Commercial	3,274,385	3,212,205	3,200,121	3,438,696
Industrial	23,457,744	23,469,336	23,314,093	23,741,597
Municipal	<u>915,601</u>	<u>829,184</u>	<u>751,809</u>	<u>738,040</u>
Subtotals	<u>35,886,564</u>	<u>35,315,491</u>	<u>34,678,963</u>	<u>35,166,193</u>
KWHRS not sold				
Street lights	639,649	548,833	513,253	470,002
Utility plant and office	157,720	186,480	126,420	126,420
Generated	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,060</u>
Line loss	<u>618,966</u>	<u>1,375,729</u>	<u>1,205,882</u>	<u>1,324,614</u>
Subtotals not sold	<u>1,416,335</u>	<u>2,111,042</u>	<u>1,845,555</u>	<u>1,922,096</u>
Totals	<u>37,302,899</u>	<u>37,426,533</u>	<u>36,524,518</u>	<u>37,088,289</u>
 LINE LOSS PERCENT	 1.66%	 3.68%	 3.30%	 3.57%
NUMBER OF CUSTOMERS				
Residential	748	749	741	737
Commercial	131	130	131	130
Industrial	18	18	18	18
Municipal	<u>13</u>	<u>13</u>	<u>13</u>	<u>14</u>
Total	<u>910</u>	<u>910</u>	<u>903</u>	<u>899</u>

Note: The statistical data is presented on the basis of information on file at the Utility and is not verified by audit.

HEITHOFF, HANSEN, MUHLBAUER & CO., P.C.

Certified Public Accountants

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

July 15, 2009

To the Board of Trustees of the
Manning Municipal Light Plant:

We have audited the accompanying financial statements of the Manning Municipal Light Plant as of and for the years ended December 31, 2008, and 2007, and have issued our report thereon dated July 15, 2009. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with U.S. generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Manning Municipal Light Plant's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Manning Municipal Light Plant's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Manning Municipal Light Plant's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Manning Municipal Light Plant's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Manning Municipal Light Plant's financial statements that is more than inconsequential will not be prevented or detected by Manning Municipal Light Plant's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements, will not be prevented or detected by Manning Municipal Light Plant's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above, item II-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manning Municipal Light Plant's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Utility's operations for the year ended December 31, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utility. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Manning Municipal Light Plant's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Utilities' responses, we did not audit Manning Municipal Light Plant's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the board of trustees, management and employees of Manning Municipal Light Plant, and other parties to whom the Manning Municipal Light Plant may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Manning Municipal Light Plant during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Heithoff, Hansen, Muhlbauer & Co., P.C.

HEITHOFF, HANSEN, MUHLBAUER & CO., P.C.
Certified Public Accountants

MANNING MUNICIPAL LIGHT PLANT
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2008

Part I: Summary of the Independent Auditors' Results

- a) An unqualified opinion was issued on the financial statements.
- b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the Light Department's financial statements. We noted during our audit that a limited number of people are responsible for most of the accounting and financial duties. As a result, an adequate segregation of duties are, for all practical purposes, missing in your Utility.

Recommendation - We recognize that your Utility is not large enough to make the employment of additional people for the purpose of segregation of duties practical from a financial standpoint. Thus in an attempt to achieve better internal control, officials should provide a segregation and rotation of duties whenever possible.

Response - We will try to use the staff in the most efficient way to achieve maximum internal control possible with a small staff.

Conclusion - Response acknowledged.

MANNING MUNICIPAL LIGHT PLANT
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2008

Part III: Other Findings Related to Required Statutory Reporting:

III-A-08 Certified Budget

The Utility budgeted on the calendar year and it was properly published. The disbursements during the year ended December 31, 2008 did not exceed the amounts budgeted by the Manning Municipal Light Plant.

III-B-08 Questionable Disbursements

We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

III-C-08 Travel Expense

No expenditures of Utility money for travel expenses of spouses of Utility officials or employees were noted. No travel advances to Utility officials or employees were noted.

III-D-08 Business Transactions

Business transactions between the Utility and Utility officials and/or employees are as follows:

<u>Name, Title and Business Relationship</u>	<u>Transaction Description</u>	<u>Amount</u>
Jerry Rasmussen, Trustee, Rasmussen Lumber, owner	Parts, supplies, and tools	<u>\$ 800</u>
Lynn Stein, Trustee, Manning Motor Co, part owner	Vehicle Maintenance	<u>\$ 1,054</u>
John Detlefsen, Trustee, Detlefsen Electric, Owner	Electric supplies	<u>\$ 142</u>

In accordance with Chapter 362.5 (11) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since total transactions were less than \$2,500 with each individual during the fiscal year.

MANNING MUNICIPAL LIGHT PLANT
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2008

Part III: Other Findings Related to Required Statutory Reporting: (continued)

III-E-08 Bond Coverage

Surety bond coverage of Utility's officials and employees is in accordance with the minimum statutory provisions required. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-08 Board Minutes

No transactions were found that we believe should have been approved in the Board minutes but were not. Minutes of the Utility proceedings were all properly and timely published. Also, the Utility did publish annual gross salaries for 2008 as in accordance with an Attorney General's opinion dated April 12, 1978.

III-G-08 Deposits and Investments

No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Utility's investment policy were noted.

III-H-08 Meal Receipts

The Utility will reimburse employees for meals while working out of town provided they submit proper documentation. However, it is the Utility's policy not to reimburse an employee for alcoholic beverages served with a meal. Two instances were noted where the Utility reimbursed an employee for a meal which included an alcoholic drink.

Recommendation –The Utility should seek reimbursement for the cost of the alcoholic beverages from the employee. In the future, the meal receipts should be carefully reviewed so that the Utility is not paying for unallowed alcoholic drinks.

Response – We will do this.

Conclusion – Response accepted.

MANNING MUNICIPAL LIGHT PLANT
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2008

Part III: Other Findings Related to Required Statutory Reporting: (continued)

III-I-08 Board Approval of Disbursements

The Utility Board appears to be approving most of the disbursements after the checks have already been prepared and mailed.

Recommendation - The routine monthly bills such as utilities and payroll taxes can be paid and mailed. However, the majority of disbursements should have board approval before they are mailed out.

Response – We will change our procedures. We will have the checks prepared before board approval, but they will not be mailed out until after Board approval.

Conclusion – Response accepted.